



## HealthInvest March 2018 Letters

### Small & MicroCap Fund Value Fund

#### DISCLAIMER

Funds managed by HealthInvest Partners AB ("the Funds") are funds pursuant to the Swedish Mutual Funds Act (2004:46). It is the responsibility of each and every person interested in investing in these Funds to ensure that the investment takes place in accordance with applicable laws and other regulations. Foreign law may entail that an investment cannot be made by an investor from outside Sweden. HealthInvest Partners has no responsibility whatsoever to verify whether an investment made from outside Sweden takes place in accordance with the laws of the relevant country.

Disputes or claims concerning the fund shall be resolved according to Swedish law and exclusively by Swedish courts of law. There is no guarantee that an investment in a fund managed by HealthInvest Partners cannot result in a loss. This applies irrespective of otherwise positive performance on the financial markets. Past performance is no guarantee of future results.

Information from the fund company shall not be considered a recommendation to invest in the Funds. Every person considering purchasing units in any of the Funds must make an independent assessment of such an investment and the risks associated therewith. Investments in the Funds should be seen as long-term investments.

Before you invest, you may want to review the Funds' prospectuses and simplified prospectuses, which contain more information about the Funds and their risks. You can find the Funds' prospectuses and other information about the Funds online at [www.healthinvest.se](http://www.healthinvest.se). You can also receive this information at no cost by calling +46 8 440 38 30 or by sending an e-mail request to [info@healthinvest.se](mailto:info@healthinvest.se).

## MARKET DEVELOPMENT

In March, rising US interest rates and the risk of an escalating trade war put downward pressure on equity markets, healthcare being no exception. MSCI World Health Care Index declined 2.1% in USD and 1.3% in SEK.

## FUND PERFORMANCE

HealthInvest Small & MicroCap Fund increased 0.3% in March (A-SEK). Currency effects helped performance by 1.3 percentage points, indicating that the portfolio decreased 1.0% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

In March, the Fund participated in a new share issue in Summit Therapeutics, a UK based drug discovery and development company. Summit's primary focus is the development of drugs for treating Duchenne muscular dystrophy (DMD) and C. difficile infection (CDI). DMD is a rare disease, affecting 15-20,000 boys in the US. With no cure, the disease is devastating with an average life expectancy to the late-twenties. Summit's clinical compound Ezutromid, has been granted Orphan drug status in Europe and the US. Positive interim data from an ongoing phase 2 study was recently announced and points to a possibility of gaining accelerated marketing approval in the US. Summit is also developing Ridinilazole, a novel selective antibiotic for the treatment of CDI. The clinical program is supported by a USD62m contract from the US government and covers most of the expected phase 3 costs. Considering Summit's two promising and advanced clinical development programs, we view the current market cap of USD220m as too low.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 17.1x free cash flow. This compares favorably to both the global healthcare sector (19.3x) as well as MSCI World Index (23.5x).

Valuation of the global healthcare sector is at an historically attractive level (18% discount to MSCI World Index). This indicates upside potential as the sector usually trades at a substantial premium (10%-15%) due to its high structural growth and relatively low cyclical of sales and earnings.

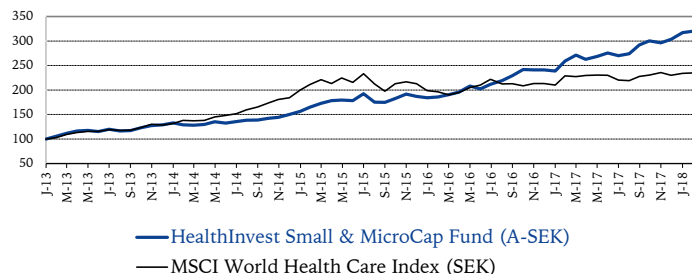
The Fund's net equity exposure was 81% at quarter end.

## FUND CHARACTERISTICS

HealthInvest Small & MicroCap Fund mainly invests in small healthcare companies globally.

The investment approach includes an emphasis on low valuations and potential catalysts to boost shareholder value. The fund started operations on January 31, 2013.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

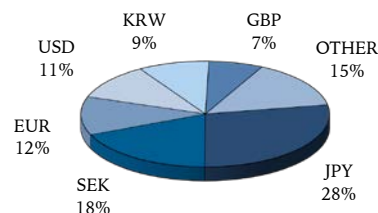
	NAV	March*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	295.4	0.3%	5.8%	220.3%
HealthInvest Small & MicroCap (B-SEK)	106.2	0.2%	5.4%	243.7%
MSCI World Health Care Index (SEK)	2485.1	-1.3%	0.7%	131.7%
MSCI World Health Care Index (USD)	298.0	-2.1%	-1.2%	76.5%

\*Net of fees. Share class B started on November 1, 2017. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the fee structure of share class B.

## RISK MEASURES (SHARE CLASS A-SEK)

	24 months	Since start
Return	68.3%	220.3%
Sharpe ratio	2.55	2.12
Standard deviation	10.8%	11.1%
Beta vs MSCI World Health Care Index	0.41	0.47
Downside risk	3.5%	5.2%
Active risk (tracking error)	11.5%	11.4%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	29%
BIOTECHNOLOGY	19%
PHARMACEUTICALS	17%
HEALTH CARE SERVICES	12%
HEALTH CARE SUPPLIES	7%
HEALTH CARE TECHNOLOGY	6%
LIFE SCIENCES TOOLS & SERVICES	5%
HEALTH CARE DISTRIBUTORS	5%

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Past performance is no guarantee of future results. An investment can rise or fall in value and investors may fail to recover the invested capital. Information from the fund company shall not be considered a recommendation to invest in the Fund. Key investor information document (KIID) and prospectus can be obtained at [www.healthinvest.se](http://www.healthinvest.se). You can also receive this information at no cost by calling +46 8 440 38 30.

# HealthInvest Value Fund

2018-03-29

## MARKET DEVELOPMENT

In March, rising US interest rates and the risk of an escalating trade war put downward pressure on equity markets, healthcare being no exception. MSCI World Health Care Index declined 2.1% in USD and 1.3% in SEK.

## FUND PERFORMANCE

HealthInvest Value Fund declined 1.9% in March (share class B-SEK). Currency effects helped performance by 0.9 percentage points, indicating that the equity portfolio decreased 2.8% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

In March, the Fund substantially increased its positions in Astellas (Japanese pharmaceutical company), Biogen (US pharmaceutical company), Cardinal Health (US healthcare distributor), Novo Nordisk (Danish pharmaceutical company) and Shire (UK pharmaceutical company). All five companies have attractive valuations (median 13x free cash flow) and strong prospective earnings per share growth (median 10% CAGR, 2017-2022).

HealthInvest Value Fund (as an aggregate) is currently trading at 15.3x free cash flow. This compares favourably to both the global healthcare sector (19.3x) as well as to MSCI World Index (23.5x).

Valuation of the global healthcare sector is at an historically attractive level (18% discount to MSCI World Index). This indicates upside potential as the sector usually trades at a substantial premium (10%-15%) due to its high structural growth and relatively low cyclicity of sales and earnings.

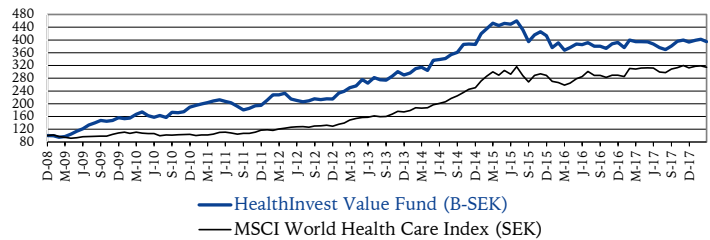
The Fund's net equity exposure was 85% at quarter end.

## FUND CHARACTERISTICS

HealthInvest Value Fund invests in healthcare companies globally with an emphasis on the US market. The focus is on profitable companies with easily understood business models.

The investment approach includes a strong emphasis on low valuations and potential catalysts to boost shareholder value. The fund started operations on December 30, 2008.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

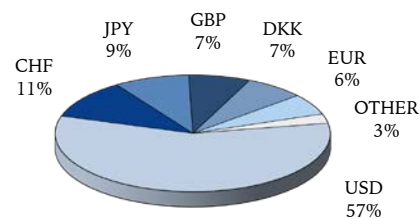
	NAV	March*	2018*	Since start*
HealthInvest Value Fund (A-SEK)	376.7	-1.9%	0.4%	315.1%
HealthInvest Value Fund (B-SEK)	136.9	-1.9%	0.3%	293.0%
HealthInvest Value Fund (C-EUR)	11.9	-3.6%	-4.4%	304.8%
MSCI World Health Care Index (SEK)	2485.1	-1.3%	0.7%	214.6%
MSCI World Health Care Index (USD)	298.0	-2.1%	-1.2%	196.3%

\*Net of fees. Share class B and C started on November 1, 2013. The returns preceding that date are the returns of HealthInvest Value Fund adjusted for the fee structure of share class B and C.

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	7.2%	293.0%
Sharpe ratio	0.51	1.07
Standard deviation	8.8%	14.5%
Beta vs MSCI World Health Care Index	0.68	0.61
Downside risk	4.9%	7.9%
Active risk (tracking error)	5.6%	13.4%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	37%
BIOTECHNOLOGY	20%
HEALTH CARE DISTRIBUTORS	17%
HEALTH CARE SERVICES	10%
LIFE SCIENCES TOOLS & SERVICES	5%
MANAGED HEALTH CARE	5%
OTHER	5%

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